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ORDER FOR RELIEF

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U.S. BANKRUPTCY COURT
NORTHERN DIST. OF CA.
SANTA ROSA, CA.

Andrew H. Wilson, Esq., SBN 063209
WILSON, RYAN & CAMPILONGO
115 Sansome Street
Fourth Floor
San Francisco, CA 94104
(415) 391-3900

Laurie J. Bartilson, Esq., SBN 139220
MOXON & BARTILSON
6255 Sunset Blvd., Suite 2000
Hollywood, CA 90028
(213) 960-1936

Attorneys for Creditor
CHURCH OF SCIENTOLOGY INTERNATIONAL

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

In re) CASE NO. 95-10911 aj

GERALD ARMSTRONG,

) Chapter 7

Debtor

) Adv. No. 1164

CHURCH OF SCIENTOLOGY
INTERNATIONAL, a California non-
profit religious corporation,

) COMPLAINT TO DETERMINE
) DISCHARGEABILITY AND
) IN OBJECTION TO
) DISCHARGE

Plaintiff,

) [11 U.S.C. §§

v.

) 727(a)(4)(A);

) 727(a)(5); 523(a)(2);

) and 523(a)(6).]

GERALD ARMSTRONG,

Defendant.

Church of Scientology International ("CSI"), plaintiff, and
creditor of the above-named debtor, Gerald Armstrong
("Armstrong") in a sum in excess of \$1,000,000 alleges:

INTRODUCTION

1. Debtor Armstrong has engaged in a pattern of fraud and
deceit that mandates dismissal of his bankruptcy petition without
discharge, or, alternatively, that his debt to plaintiff be
deemed nondischargeable. First, he has lied to this Court, the

1 trustee and his creditors by failing to include, as part of his
2 Schedule B, his ownership in the Gerald Armstrong Corporation.
3 In 1993, Armstrong testified that the assets of the Gerald
4 Armstrong Corporation were worth \$1 billion. In 1994, Armstrong
5 admitted under oath that he owned 80% of the shares of the stock
6 in the corporation, and was its president and sole employee.
7 Second, while testifying at a meeting of creditors, Armstrong
8 asserted that the Gerald Armstrong Corporation no longer
9 possessed any assets having any commercial value. Armstrong has
10 failed to satisfactorily explain how he disposed of not only the
11 \$1 billion in assets claimed by the Gerald Armstrong Corporation,
12 but also \$518,000 of the \$800,000 which he received as proceeds
13 of a legal settlement, and at least \$15,000 which he received in
14 large increments in 1992 and 1993. These actions render
15 Armstrong ineligible for discharge pursuant to 11 U.S.C. §§
16 727(a)(4)(A) and (5). Third, Armstrong has also admitted under
17 oath that he entered into an agreement with CSI in 1986, which he
18 intended to breach, and which he has in fact repeatedly and
19 maliciously breached, resulting in the debt to CSI which he now
20 seeks to discharge. These actions render Armstrong's debt to CSI
21 nondischargeable pursuant to 11 U.S.C. §§ 523(a)(2) and (6).

22 JURISDICTION

23 2. This is an adversary proceeding in the debtor's Case
24 No. 95-10911 aj under Chapter 7 of Title 11 of the United States
25 Bankruptcy Code, now pending in this Court. This Court has
26 jurisdiction of this adversary proceeding pursuant to 11 U.S.C.
27 §§ 727, 523 and 365. This is a core proceeding under 28 U.S.C.
28 §§ 157(b)(2)(I) and (J).

3. Defendant Armstrong is not eligible for discharge as a debtor in his bankruptcy action pursuant to 11 U.S.C. §§ 727(a)(4)(A) and (5). Armstrong is also indebted to plaintiff creditor as fully detailed below, and the debt is not dischargeable in bankruptcy by virtue of the provisions of 11 U.S.C. §§ 523(a)(2) and (6).

PARTIES

4. Plaintiff Church of Scientology International ("CSI") is, and was at all times relevant herein, a California non-profit religious corporation having its principal office in the City of Los Angeles, County of Los Angeles, State of California.

5. Defendant Gerald Armstrong is an individual who at all times relevant herein has been a resident of the City of San Anselmo, County of Marin, State of California.

GENERAL AVERMENTS

6. Armstrong's debt to CSI arises in the context of an ongoing state court action for breach of contract, Church of Scientology International v. Gerald Armstrong, Marin County Superior Court, Case No. 157 680 ("the State Court Action"). CSI obtained summary adjudication of two of its claims in that action on January 27, 1995, resulting in a judgment against Armstrong of \$100,000. Eleven claims against Armstrong for breach of contract remain to be adjudicated, with additional liability claimed of \$1,750,000 plus contractual attorneys' fees and costs. In addition, the Church is seeking a permanent injunction prohibiting Armstrong from further breaching certain terms of the contract.

7. The contract which forms the basis of the State Court

1 Action was entered into by Armstrong and CSI in December, 1986
2 ("the Agreement"). A true and correct copy of the Agreement is
3 attached hereto as Exhibit A. It settled outstanding litigation
4 between CSI and Armstrong according to certain terms and
5 conditions. Armstrong has admitted that the settlement proceeds
6 which he received were \$800,000, and that he received \$518,000
7 after paying attorneys' fees and expenses.

8 8. Pursuant to the Agreement, Armstrong, who had been
9 actively pursuing a career as an anti-Scientology "expert" and
10 paralegal, agreed, inter alia, that he would not disclose his
11 knowledge of or experiences in Scientology to anyone, and would
12 not voluntarily aid other litigants or would-be litigants in
13 anti-Scientology litigation. (Agreement, ¶¶ 7(D), 7(G), 7(H) and
14 10). The Agreement also provided that Armstrong would pay CSI
15 \$50,000 in liquidated damages for every prohibited disclosure.

16 9. In February, 1992, CSI brought the State Court Action
17 against Armstrong, alleging that he had repeatedly breached the
18 provisions of the Agreement delineated in Paragraph 8, supra.
19 CSI sought and obtained a preliminary injunction enforcing
20 portions of the Agreement.

21 10. Armstrong claims that in August, 1990, he was directed
22 by God to give away his material assets. He transferred real
23 property valued at approximately \$530,000 and at least \$35,000 in
24 cash to his friend and lawyer, Michael Walton. He also claims
25 that he forgave an outstanding debt to Walton of \$30,000.
26 Armstrong further claims that he forgave other debts to friends
27 and family members totalling approximately \$133,000 and gave away
28 additional cash totalling \$1,500. Armstrong has asserted under

1 oath that he received no valuable consideration for any of these
2 transfers. Although he was asked to do so in the State Court
3 Action, Armstrong has not produced any records of any of these
4 transactions, other than a few documents concerning the transfer
5 of the real property to Walton.

6 11. In or about August, 1987, Armstrong incorporated a
7 California corporation which he called the Gerald Armstrong
8 Corporation ("GAC"). Armstrong was the only incorporator,
9 officer, and director of the corporation.

10 12. Armstrong testified in the State Court Action that, on
11 incorporation, GAC issued a single share of stock to a single
12 shareholder: Gerald Armstrong. Armstrong also testified that he
13 transferred significant personal assets to GAC in 1988, including
14 personal and intellectual property. Armstrong has testified that
15 in August, 1990, the value of GAC's assets was \$1,000,000. He
16 based this figure on an appraisal of some of Armstrong's works
17 owned by GAC, which he testified were independently valued at
18 \$900,000. In addition, in August, 1990, Armstrong listed the
19 following personal property as further assets of GAC: office
20 equipment, office furniture, four filing cabinets and contents,
21 photocopier, drafting table, drafting machine, MAC and Image
22 Writer II, VCR, opaque projector, projector table, Morantz
23 portable twin head recorder, microphone, 2 sets of headphones, 3
24 chests of drawers, futon frame, cover, linen, futon, pillows,
25 Chines rug and 2 rockers.

26 13. Armstrong claimed, under oath in the State Court
27 action, that GAC "possesses a number of Gerald Armstrong's
28 artistic and literary works, possesses rights to a number of his

1 inventions and rights to certain formulas, and is in the business
2 of bringing peace and exploiting its assets for commercial and
3 peaceful purposes." He also testified that GAC owns "equipment
4 and products." The business of GAC, according to Armstrong, is
5 to care for, promote and exploit "the works of Gerald Armstrong."

6 14. Armstrong testified in the State Court Action that in
7 August, 1990, at the same time that he made the transfers
8 described in paragraph 10, supra, he transferred his ownership in
9 GAC to Michael Walton, Michael Douglas, Lorien Phippeny and Nancy
10 Rhodes. According to Armstrong, his single share of stock was
11 divided into 100 shares, and each of the four received 25 shares.
12 Walton, Douglas, Phippeny and Rhodes paid Armstrong nothing for
13 the shares of stock.

14 15. Shortly after making the transfers referred to in
15 paragraphs 10 and 14, supra, Armstrong initiated successive
16 breaches of the Agreement, which resulted in the filing of the
17 State Court Action. When Armstrong disclosed the transfers in
18 the State Court Action, CSI brought a fraudulent conveyance
19 action against Armstrong and Michael Walton. That action was
20 consolidated into the State Court Action in September, 1994.

21 16. Armstrong admitted in deposition in the State Court
22 Action that he reacquired the shares of stock in GAC which he had
23 distributed to Walton, Douglas, Phippeny and Rhodes. In October,
24 1992, Armstrong testified that GAC had 9 shareholders. He owned
25 80 shares. Single shares were owned by Armstrong's friends and
26 relatives, Michael Douglas, Michael Walton, Andrew Armstrong,
27 Thomas McPherson, Joseph Yanny, Michael Dick, Trevor and Colin
28 Dick, and Anthony Armstrong. In 1993, GAC issued a single share

1 to Armstrong's brother, Andrew Armstrong. In 1994, GAC issued a
2 single share to Armstrong's brother, Anthony Armstrong.
3 Armstrong testified again in 1994 that he owned 80% of GAC's
4 stock.

5 17. Armstrong has testified, in deposition in the State
6 Court Action, that he is currently the President, and only
7 officer, of GAC, one of its two directors, and its only employee.
8 In 1993, he testified that GAC has a single bank account, and
9 that he was the sole signatory on that account.

10 18. In March, 1993, Armstrong testified under oath that he
11 estimated the value of the assets owned by GAC to be
12 \$1,000,000,000 to \$1,500,000,000.

13 19. In May, 1995, at an early meeting of creditors,
14 Armstrong testified under oath that GAC no longer possessed any
15 assets of commercial value.

16 **FIRST CLAIM FOR RELIEF**

17 (For a Determination That Armstrong's Debts Are Not
18 Dischargeable Pursuant to 11 U.S.C. §727(a)(4)(A))

19 20. Plaintiff incorporates by reference the allegations
20 contained in paragraphs 1 through 19 above as though set forth
21 fully herein.

22 21. On April 18, 1995, Armstrong filed a Voluntary Petition
23 for Bankruptcy with this court. He swore under penalty of
24 perjury that the information which he provided in the Petition
25 was true and correct. On Schedule B of his Petition, Line 12,
26 Armstrong stated that he owned no stock or interests in
27 incorporated or unincorporated businesses. CSI is informed and
28 believes, and therefore alleges that on April 18, 1995, Armstrong

1 owned and still owns at least 80% of the stock of the Gerald
2 Armstrong Corporation. 22. CSI is informed and believes and
3 therefore alleges that GAC is, and at all times relevant herein
4 was, operated by and for the benefit of Gerald Armstrong as his
5 alter ego. The alleged corporate form of GAC should,
6 accordingly, be disregarded, and GAC's assets considered the
7 assets of Armstrong.

8 23. Armstrong's failure to include his ownership of GAC in
9 Schedule B is a deliberate omission of a material matter
10 constituting a false oath or account in connection with the case.

11 24. Armstrong failed to disclose his ownership of GAC and
12 its assets with the intent to mislead creditors and the trustee
13 as to the debtor's true financial condition, or with reckless
14 disregard for the truth with regard to a matter material to the
15 case.

16 SECOND CLAIM FOR RELIEF

17 (For a Determination That Armstrong's Debts Are Not
18 Dischargeable Pursuant to 11 U.S.C. §727(a)(5))

19 25. Plaintiff incorporates by reference the allegations
20 contained in paragraphs 1 through 24 above as though set forth
21 fully herein.

22 26. In 1986, Armstrong received a substantial sum of money
23 from CSI in settlement of litigation. Armstrong has testified
24 under oath that he invested the money in real property and GAC,
25 and that GAC, set up solely to exploit Armstrong and his literary
26 and artistic ventures, prospered. He has claimed, under oath in
27 the State Court Action, that GAC's assets were valued, in 1990,
28 at \$1 million, and, in 1993, he valued them at \$1 billion to \$1.5

1 billion.

2 27. In 1993, Armstrong received 3 large payments from
3 sources unknown to plaintiff totalling \$15,000.

4 28. Armstrong's Bankruptcy Petition claims assets of
5 \$6,485, and liabilities of \$1,005,367.52. At the meeting of
6 creditors, on May 17, 1995, Armstrong claimed under oath that
7 GAC possessed no assets of any commercial value.

8 29. Armstrong has offered no satisfactory explanation for
9 his claimed losses of \$518,000 since 1986, \$1 million since 1990,
10 \$15,000 since 1993, or \$1 billion to \$1.5 billion since 1994.

11 **THIRD CLAIM FOR RELIEF**

12 (For a Determination That Armstrong's Debt To CSI Is Not
13 Dischargeable Pursuant to 11 U.S.C. §523(a)(2))

14 30. Plaintiff incorporates by reference the allegations
15 contained in paragraphs 1 through 19 above as though set forth
16 fully herein.

17 31. CSI entered into the Agreement with Armstrong in 1986
18 in good faith, and performed its part of the Agreement in full.

19 32. Armstrong falsely represented to CSI when he entered
20 into the Agreement that he understood and agreed to every
21 provision of the Agreement. He and his attorney met with a CSI
22 representative and CSI's attorney, and Armstrong, laughing and
23 joking, initialed each page of the Agreement, and signed it
24 happily.

25 33. Armstrong has stated repeatedly under oath in the State
26 Court Action that, at the time that he entered into the Agreement
27 with CSI, he did not believe that the nondisclosure provisions of
28 the Agreement were enforceable and binding on him, and that he

1 did not intend to abide by these portions of the Agreement if
2 they proved inconvenient to him.

3 34. Armstrong has stated repeatedly under oath that he was
4 "heartsick" concerning the nondisclosure provisions in the
5 Agreement, and that he merely "put on a happy face" for the
6 signing of the Agreement in order to persuade CSI to enter into
7 the Agreement and pay him his settlement.

8 35. CSI reasonably relied on Armstrong's representations
9 that was entering into the Agreement in good faith, and that he
10 (a) had read the entire Agreement, (b) agreed with all of its
11 provisions, (c) intended to abide by it in its entirety and (d)
12 entered into it voluntarily and on the advice of independent
13 counsel.

14 36. Had CSI known that Armstrong did not intend to abide by
15 the nondisclosure provisions contained in the Agreement, CSI
16 would not have entered into the Agreement with Armstrong, and
17 would not have paid him \$800,000.

18 37. Armstrong's conduct at the time that he entered into
19 the Agreement with CSI constitutes false pretenses and/or false
20 representations, which Armstrong knew to be false and/or which
21 Armstrong made with reckless disregard as to their truth or
22 falsity.

23 **FOURTH CLAIM FOR RELIEF**

24 (For a Determination That Armstrong's Debt To CSI Is Not
25 Dischargeable Pursuant to 11 U.S.C. §523(a)(6))

26 38. Plaintiff incorporates by reference the allegations
27 contained in paragraphs 1 through 37 above as though set forth
28 fully herein.

1 39. After Armstrong transferred and/or hid his assets in
2 1990, he set out on a course of conduct intended deliberately to
3 damage and harass CSI. For years, and despite ongoing
4 litigation, Armstrong has deliberately and repeatedly violated
5 his Agreement not to discuss his claimed Scientology knowledge
6 and experiences, and he has done so with the intent and purpose
7 of impeding, injuring and destroying CSI and the Scientology
8 faith. Since August, 1990, he has spoken negatively to the media
9 about Scientology at least 21 times; made an anti-Scientology
10 videotape; prepared and offered for sale a treatment for an anti-
11 Scientology screenplay; gone to work for three different anti-
12 Scientology attorneys, etc., all as set forth in plaintiff's
13 Second Amended Complaint in the State Court Action.

14 40. Armstrong's anti-Scientology actions are both
15 deliberate and malicious. When they began, Armstrong asked CSI to
16 pay him additional funds to keep silent. Armstrong's anti-
17 Scientology campaign escalated when CSI refused. They did not
18 halt even when the State Court issued a summary adjudication
19 order against Armstrong for \$100,000.

20 WHEREFORE, plaintiff prays for the entry of judgment against
21 defendant as follows:

22 1. That the Court determine that the debts of defendant be
23 ruled nondischargeable as a result of defendant's knowingly and
24 fraudulently making a false oath in connection with a bankruptcy
25 case by virtue of the provisions of 11 U.S.C. § 727(a)(4)(A); and

26 2. That the Court determine that the debts of defendant be
27 ruled nondischargeable as a result of defendant's failure to
28 satisfactorily explain his loss of and/or deficiency of assets by

1 virtue of the provisions of 11 U.S.C. § 727(a)(5); or in the
2 alternative

3 3. That the Court determine that the debt owed to
4 plaintiff by defendant as a result of defendant's false pretenses
5 and/or false representations, upon which plaintiff relied to its
6 detriment, and as a result of defendant's wilful and malicious
7 injury to plaintiff, is nondischargeable by virtue of the
8 provisions of 11 U.S.C. §§ 523(a)(2) and (a)(6);

9 4. For an award of attorney's fees as allowable by law in
10 an amount the Court determines to be reasonable;

11 5. For costs of suit herein incurred; and

12 6. For such other and further relief as this Court deems
13 just and proper.

14 DATED: July 12, 1995

Andrew H. Wilson
WILSON, RYAN & CAMPILONGO

MOXON & BARTILSON

17
18 By: 

Laurie J. Bartilson

Attorneys for Plaintiff
CHURCH OF SCIENTOLOGY
INTERNATIONAL

MUTUAL RELEASE OF ALL CLAIMS AND SETTLEMENT AGREEMENT

1. This Mutual Release of All Claims and Settlement Agreement is made between Church of Scientology International (hereinafter "CSI") and Gerald Armstrong, (hereinafter "Plaintiff") Cross-Complainant in Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153. By this Agreement, Plaintiff hereby specifically waives and releases all claims he has or may have from the beginning of time to and including this date, including all causes of action of every kind and nature, known or unknown for acts and/or omissions against the officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel of CSI as well as the Church of Scientology of California, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; Religious Technology Center, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; all Scientology and Scientology affiliated organizations and entities and their officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; Author Services, Inc., its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; L. Ron Hubbard, his heirs, beneficiaries, Estate and its executor; Author's Family Trust, its beneficiaries and its trustee; and Mary Sue Hubbard, (all hereinafter collectively referred to as the



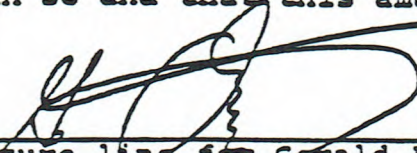


"Releasees"). The parties to this Agreement hereby agree as follows:

2. It is understood that this settlement is a compromise of doubtful and disputed claims, and that any payment is not to be construed, and is not intended, as an admission of liability on the part of any party to this Agreement, specifically, the Releasees, by whom liability has been and continues to be expressly denied. In executing this settlement Agreement, Plaintiff acknowledges that he has released the organizations, individuals and entities listed in the above paragraph, in addition to those defendants actually named in the above lawsuit, because among other reasons, they are third party beneficiaries of this Agreement.

3. Plaintiff has received payment of a certain monetary sum which is a portion of a total sum of money paid to his attorney, Michael J. Flynn. The total sum paid to Mr. Flynn is to settle all of the claims of Mr. Flynn's clients. Plaintiff's portion of said sum has been mutually agreed upon by Plaintiff and Michael J. Flynn. Plaintiff's signature below this paragraph acknowledges that Plaintiff is completely satisfied with the monetary consideration negotiated with and received by Michael J. Flynn. Plaintiff acknowledges that there has been a block settlement between Plaintiff's attorney, Michael J. Flynn, and the Church of Scientology and Churches and entities related to the Church of Scientology, concerning all of Mr. Flynn's clients who were in litigation with any Church of Scientology or related entity. Plaintiff has received a portion of this block

amount, the receipt of which he hereby acknowledges. Plaintiff understands that this amount is only a portion of the block settlement amount. The exact settlement sum received by Plaintiff is known only to Plaintiff and his attorney, Michael J. Flynn, and it is their wish that this remain so and that this amount remain confidential.



Signature line for Gerald Armstrong

4. For and in consideration of the above described consideration, the mutual covenants, conditions and release contained herein, Plaintiff does hereby release, acquit and forever discharge, for himself, his heirs, successors, executors, administrators and assigns, the Releasees, including Church of Scientology of California, Church of Scientology International, Religious Technology Center, all Scientology and Scientology affiliated organizations and entities, Author Services, Inc. (and for each organization or entity, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel); L. Ron Hubbard, his heirs, beneficiaries, Estate and its executor; Author's Family Trust, its beneficiaries and trustee; and Mary Sue Hubbard, and each of them, of and from any and all claims, including, but not limited to, any claims or causes of action entitled Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153 and all demands, damages, actions and causes of actions of every kind and nature, known or unknown,

for or because of any act or omission allegedly done by the Releasees, from the beginning of time to and including the date hereof. Therefore, Plaintiff does hereby authorize and direct his counsel to dismiss with prejudice his claims now pending in the above referenced action. The parties hereto will execute and cause to be filed a joint stipulation of dismissal in the form of the one attached hereto as Exhibit "A".

A. It is expressly understood by Plaintiff, that this release and all of the terms thereof do not apply to the action brought by the Church of Scientology against Plaintiff for Conversion, Fraud and other causes of action, which action has already gone to trial and is presently pending before the Second District, Third Division of the California Appellate Court (Appeal No. B005912). The disposition of those claims are controlled by the provisions of the following paragraph hereinafter.

B. As of the date this settlement Agreement is executed, there is currently an appeal pending before the California Court of Appeal, Second Appellate District, Division 3, arising out of the above referenced action delineated as Appeal No. B005912. It is understood that this appeal arises out of the Church of Scientology's complaint against Plaintiff which is not settled herein. This appeal shall be maintained notwithstanding this Agreement. Plaintiff agrees to waive any rights he may have to take any further appeals from any decision eventually reached by the Court of Appeal or any rights he may have to oppose (by responding brief or any other means) any further appeals taken by the Church of

Scientology of California. The Church of Scientology of California shall have the right to file any further appeals it deems necessary.

5. For and in consideration of the mutual covenants, conditions and release contained herein, and Plaintiff dismissing with prejudice the action Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153, the Church of Scientology of California does hereby release, acquit and forever discharge for itself, successors and assigns, Gerald Armstrong, his agents, representatives, heirs, successors, assigns, legal counsel and estate and each of them, of and from any and all claims, causes of action, demands, damages and actions of every kind and nature, known or unknown, for or because of any act or omission allegedly done by Gerald Armstrong from the beginning of time to and including the date hereof.

6. In executing this Agreement, the parties hereto, and each of them, agree to and do hereby waive and relinquish all rights and benefits afforded under the provisions of Section 1542 of the Civil Code of the State of California, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

7. Further, the undersigned hereby agree to the following:

A. The liability for all claims is expressly denied by the parties herein released, and this final compromise and

settlement thereof shall never be treated as an admission of liability or responsibility at any time for any purpose.

B. Plaintiff has been fully advised and understands that the alleged injuries sustained by him are of such character that the full extent and type of injuries may not be known at the date hereof, and it is further understood that said alleged injuries, whether known or unknown at the date hereof, might possibly become progressively worse and that as a result, further damages may be sustained by Plaintiff; nevertheless, Plaintiff desires by this document to forever and fully release the Releasees. Plaintiff understands that by the execution of this release no further claims arising out of his experience with, or actions by, the Releasees, from the beginning of time to and including the date hereof, which may now exist or which may exist in the future may ever be asserted by him or on his behalf, against the Releasees.

C. Plaintiff agrees to assume responsibility for the payment of any attorney fee, lien or liens, imposed against him past, present, or future, known or unknown, by any person, firm, corporation or governmental entity or agency as a result of, or growing out of any of the matters referred to in this release. Plaintiff further agrees to hold harmless the parties herein released, and each of them, of and from any liability arising therefrom.

D. Plaintiff agrees never to create or publish or attempt to publish, and/or assist another to create for publication by means of magazine, article, book or other

similar form, any writing or to broadcast or to assist another to create, write, film or video tape or audio tape any show, program or movie, or to grant interviews or discuss with others, concerning their experiences with the Church of Scientology, or concerning their personal or indirectly acquired knowledge or information concerning the Church of Scientology, L. Ron Hubbard or any of the organizations, individuals and entities listed in Paragraph 1 above. Plaintiff further agrees that he will maintain strict confidentiality and silence with respect to his experiences with the Church of Scientology and any knowledge or information he may have concerning the Church of Scientology, L. Ron Hubbard, or any of the organizations, individuals and entities listed in Paragraph 1 above. Plaintiff expressly understands that the non-disclosure provisions of this subparagraph shall apply, inter alia, but not be limited, to the contents or substance of his complaint on file in the action referred to in Paragraph 1 hereinabove or any documents as defined in Appendix "A" to this Agreement, including but not limited to any tapes, films, photographs, recastings, variations or copies of any such materials which concern or relate to the religion of Scientology, L. Ron Hubbard, or any of the organizations, individuals, or entities listed in Paragraph 1 above. The attorneys for Plaintiff, subject to the ethical limitations restraining them as promulgated by the state or federal regulatory associations or agencies, agree not to disclose any of the terms and conditions of the settlement negotiations, amount of the

settlement, or statements made by either party during settlement conferences. Plaintiff agrees that if the terms of this paragraph are breached by him, that CSI and the other Releasees would be entitled to liquidated damages in the amount of \$50,000 for each such breach. All monies received to induce or in payment for a breach of this Agreement, or any part thereof, shall be held in a constructive trust pending the outcome of any litigation over said breach. The amount of liquidated damages herein is an estimate of the damages that each party would suffer in the event this Agreement is breached. The reasonableness of the amount of such damages are hereto acknowledged by Plaintiff.

E. With exception to the items specified in Paragraph 7(L), Plaintiff agrees to return to the Church of Scientology International at the time of the consummation of this Agreement, all materials in his possession, custody or control (or within the possession, custody or control of his attorney, as well as third parties who are in possession of the described documents), of any nature, including originals and all copies or summaries of documents defined in Appendix "A" to this Agreement, including but not limited to any tapes, computer disks, films, photographs, recastings, variations or copies of any such materials which concern or relate to the religion of Scientology, L. Ron Hubbard or any of the organizations, individuals or entities listed in Paragraph 1 above, all evidence of any nature, including evidence obtained from the named defendants through discovery, acquired for the purposes of this lawsuit or any lawsuit, or acquired for any other purpose

concerning any Church of Scientology, any financial or administrative materials concerning any Church of Scientology, and any materials relating personally to L. Ron Hubbard, his family, or his estate. In addition to the documents and other items to be returned to the Church of Scientology International listed above and in Appendix "A", Plaintiff agrees to return the following:

(a) All originals and copies of the manuscript for the work "Excalibur" written by L. Ron Hubbard;

(b) All originals and copies of documents commonly known as the "Affirmations" written by L. Ron Hubbard; and

(c) All documents and other items surrendered to the Court by Plaintiff and his attorneys pursuant to Judge Cole's orders of August 24, 1982 and September 4, 1982 and all documents and other items taken by the Plaintiff from either the Church of Scientology or Omar Garrison. This includes all documents and items entered into evidence or marked for identification in Church of Scientology of California v. Gerald Armstrong, Case No. C 420 153. Plaintiff and his attorney will execute a Joint Stipulation or such other documents as are necessary to obtain these documents from the Court. In the event any documents or other items are no longer in the custody or control of the Los Angeles Superior Court, Plaintiff and his counsel will assist the Church in recovering these documents as quickly as possible, including but not limited to those tapes and other documents now in the possession of the United States District Court in the case of United States v. Zolin, Case No. CV

85-0440-HLH(Tx), presently on appeal in the Ninth Circuit Court of Appeals. In the event any of these documents are currently lodged with the Court of Appeal, Plaintiff and his attorneys will cooperate in recovering those documents as soon as the Court of Appeal issues a decision on the pending appeal.

To the extent that Plaintiff does not possess or control documents within categories A-C above, Plaintiff recognizes his continuing duty to return to CSI any and all documents that fall within categories A-C above which do in the future come into his possession or control.

F. Plaintiff agrees that he will never again seek or obtain spiritual counselling or training or any other service from any Church of Scientology, Scientologist, Dianetics or Scientology auditor, Scientology minister, Mission of Scientology, Scientology organization or Scientology affiliated organization.

G. Plaintiff agrees that he will not voluntarily assist or cooperate with any person adverse to Scientology in any proceeding against any of the Scientology organizations, individuals, or entities listed in Paragraph 1 above. Plaintiff also agrees that he will not cooperate in any manner with any organizations aligned against Scientology.

H. Plaintiff agrees not to testify or otherwise participate in any other judicial, administrative or legislative proceeding adverse to Scientology or any of the Scientology Churches, individuals or entities listed in Paragraph 1 above unless compelled to do so by lawful subpoena or other lawful process. Plaintiff shall not make

himself amenable to service of any such subpoena in a manner which invalidates the intent of this provision. Unless required to do so by such subpoena, Plaintiff agrees not to discuss this litigation or his experiences with and knowledge of the Church with anyone other than members of his immediate family. As provided hereinafter in Paragraph 18(d), the contents of this Agreement may not be disclosed.

I. The parties hereto agree that in the event of any future litigation between Plaintiff and any of the organizations, individuals or entities listed in Paragraph 1 above, that any past action or activity, either alleged in this lawsuit or activity similar in fact to the evidence that was developed during the course of this lawsuit, will not be used by either party against the other in any future litigation. In other words, the "slate" is wiped clean concerning past actions by any party.

J. It is expressly understood and agreed by Plaintiff that any dispute between Plaintiff and his counsel as to the proper division of the sum paid to Plaintiff by his attorney of record is between Plaintiff and his attorney of record and shall in no way affect the validity of this Mutual Release of All Claims and Settlement Agreement.

K. Plaintiff hereby acknowledges and affirms that he is not under the influence of any drug, narcotic, alcohol or other mind-influencing substance, condition or ailment such that his ability to fully understand the meaning of this Agreement and the significance thereof is adversely affected.

L. Notwithstanding the provisions of Paragraph 7(E) above, Plaintiff shall be entitled to retain any artwork created by him which concerns or relates to the religion of Scientology, L. Ron Hubbard or any of the organizations, individuals or entities listed in Paragraph 1 above provided that such artwork never be disclosed either directly or indirectly, to anyone. In the event of a disclosure in breach of this Paragraph 7(L), Plaintiff shall be subject to the liquidated damages and constructive trust provisions of Paragraph 7(D) for each such breach.

8. Plaintiff further agrees that he waives and relinquishes any right or claim arising out of the conduct of any defendant in this case to date, including any of the organizations, individuals or entities as set forth in Paragraph 1 above, and the named defendants waive and relinquish any right or claim arising out of the conduct of Plaintiff to date.

9. This Mutual Release of All Claims and Settlement Agreement contains the entire agreement between the parties hereto, and the terms of this Agreement are contractual and not a mere recital. This Agreement may be amended only by a written instrument executed by Plaintiff and CSI. The parties hereto have carefully read and understand the contents of this Mutual Release of All Claims and Settlement Agreement and sign the same of their own free will, and it is the intention of the parties to be legally bound hereby. No other prior or contemporaneous agreements, oral or written, respecting such matters, which are not specifically

incorporated herein shall be deemed to in any way exist or bind any of the parties hereto.

10. Plaintiff agrees that he will not assist or advise anyone, including individuals, partnerships, associations, corporations, or governmental agencies contemplating any claim or engaged in litigation or involved in or contemplating any activity adverse to the interests of any entity or class of persons listed above in Paragraph 1 of this Agreement.

11. The parties to this Agreement acknowledge the following:

A. That all parties enter into this Agreement freely, voluntarily, knowingly and willingly, without any threats, intimidation or pressure of any kind whatsoever and voluntarily execute this Agreement of their own free will;

B. That all parties have conducted sufficient deliberation and investigation, either personally or through other sources of their own choosing, and have obtained advice of counsel regarding the terms and conditions set forth herein, so that they may intelligently exercise their own judgment in deciding whether or not to execute this Agreement; and

C. That all parties have carefully read this Agreement and understand the contents thereof and that each reference in this Agreement to any party includes successors, assigns, principals, agents and employees thereof.

12. Each party shall bear its respective costs with respect to the negotiation and drafting of this Agreement and

all acts required by the terms hereof to be undertaken and performed by that party.

13. To the extent that this Agreement inures to the benefit of persons or entities not signatories hereto, this Agreement is hereby declared to be made for their respective benefits and uses.

14. The parties shall execute and deliver all documents and perform all further acts that may be reasonably necessary to effectuate the provisions of this Agreement.

15. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties prepared this Agreement. This Agreement shall be construed and enforced in accordance with the laws of the State of California.

16. In the event any provision hereof be unenforceable, such provision shall not affect the enforceability of any other provision hereof.

17. All references to the plural shall include the singular and all references to the singular shall include the plural. All references to gender shall include both the masculine and feminine.

18.(A) Each party warrants that they have received independent legal advice from their attorneys with respect to the advisability of making the settlement provided for herein and in executing this Agreement.

(B) The parties hereto (including any officer, agent, employee, representative or attorney of or for any party) acknowledge that they have not made any statement,

representation or promise to the other party regarding any fact material to this Agreement except as expressly set forth herein. Furthermore, except as expressly stated in this Agreement, the parties in executing this Agreement do not rely upon any statement, representation or promise by the other party (or of any officer, agent, employee, representative or attorney for the other party).

(C) The persons signing this Agreement have the full right and authority to enter into this Agreement on behalf of the parties for whom they are signing.

(D) The parties hereto and their respective attorneys each agree not to disclose the contents of this executed Agreement. Nothing herein shall be construed to prevent any party hereto or his respective attorney from stating that this civil action has been settled in its entirety.

(E) The parties further agree to forbear and refrain from doing any act or exercising any right, whether existing now or in the future, which act or exercise is inconsistent with this Agreement.

19. Plaintiff has been fully advised by his counsel as to the contents of this document and each provision hereof. Plaintiff hereby authorizes and directs his counsel to dismiss with prejudice his claims now pending in the action entitled Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153.

20. Notwithstanding the dismissal of the lawsuit pursuant to Paragraph 4 of this Agreement, the parties hereto agree that the Los Angeles Superior Court shall retain

jurisdiction to enforce the terms of this Agreement. This Agreement may be enforced by any legal or equitable remedy, including but not limited to injunctive relief or declaratory judgment where appropriate. In the event any party to this Agreement institutes any action to preserve, to protect or to enforce any right or benefit created hereunder, the prevailing party in any such action shall be entitled to the costs of suit and reasonable attorney's fees.

21. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be a duplicate original, but all of which, together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date opposite their names.

Dated: December 6, 1985

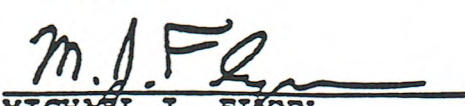

GERALD ARMSTRONG


Witness

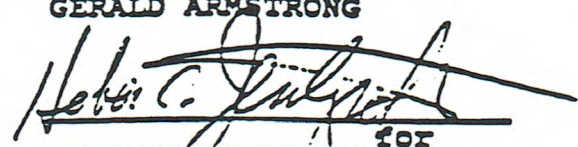

Witness

Dated: 12/6/86

APPROVED AS TO FORM AND
CONTENT:


MICHAEL J. FLYNN
Attorney for
GERALD ARMSTRONG

Dated: December 11, 1986


for
CHURCH OF SCIENTOLOGY
INTERNATIONAL

APPENDIX A

1. As used herein, the term "document" or "documents" include but are not limited to all originals, file copies and copies not identical to the original, no matter how prepared, or all writings, papers, notes, records, books and other tangible things including, by way of example and not of limitation, the following:

- a. Memoranda, notes, calendars, appointment books, shorthand or stenographer's notebooks, correspondence, letters and telegrams, whether received, sent, filed or maintained internally;
- b. Drafts and notes, whether typed, penciled or otherwise, whether or not used;
- c. Minutes, reports and summaries of meetings;
- d. Contracts, agreements, understandings, commitments, proposals and other business dealings;
- e. Recordings, transcriptions and memoranda or notes made of any telephone or face-to-face oral conversations between or among persons;
- f. Dictated tapes or other sound recordings;
- g. Computer printouts or reports and the applicable program or programs therefor;
- h. Tapes, cards or any other means by which data are stored or preserved electrically, electronically, magnetically or mechanically, and the applicable program or program therefor (from which plaintiff may reproduce or cause to be reproduced such data in written form);

i. Pictures, drawings, photographs, charts or other graphic representations;

j. Checks, bills, notes, receipts, or other evidence of payment;

k. Ledgers, journals, financial statements, accounting records, operating statements, balance sheets and statements of account.